

Message Text

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ACTION EA-12

INFO OCT-01 ISO-00 NRC-05 SOE-02 AID-05 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 DOE-11 H-01 INR-10 INT-05
L-03 NSAE-00 NSC-05 OMB-01 PM-05 USIA-06 OES-07
SP-02 SS-15 STR-07 TRSE-00 ACDA-12 SEC-01 /125 W
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TO SECSTATE WASHDC 2007
INFO AMEMBASSY BANGKOK
AMEMBASSY SINGAPORE
AMEMBASSY JAKARTA
AMEMBASSY KUALA LUMPUR
AMCONSUL HONG KONG

C O N F I D E N T I A L MANILA 2868

E.E. 11652: GDS
TAGS: ENRG, EALR, RP
SUBJECT: CITIES SERVICE COMMITS TO PRODUCE OIL IN THE PHILIPPINES
BY LATE 1979

REF: MANILA 2444

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1. CITIES SERVICE PHILIPPINES (CSP) COMMITTED ITSELF TO PRODUCE OIL FROM THE NIDO COMPLEX OFF PALAWAN BY THE FOURTH QUARTER OF 1979. THIS PROMISE WAS MADE BY GUY BARTHOLOMEW, PRESIDENT, CSP, IN MEETING WITH PRESIDENT MARCOS AND ENERGY SECRETARY VELASCO IN MALACANANG FEBRUARY 21, 1978.
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2. BARTHOLOMEW CONFIRMED TO EMBOFF FACT THAT CITIES HAS DECIDED TO PRODUCE THE NIDO DISCOVERIES ACCORDING TO TIMETABLE PROJECTED. HE SAID THERE ARE STILL CERTAIN MATTERS TO RESOLVE CONCERNING THE U.S. TAX SITUATION AND CITIES IS AWAITING AN
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IRS DECISION. CITIES DOES NOT, HOWEVER, ANTICIPATE PROBLEM IN THIS REGARD. CITIES HAS \$20 MILLION IN HISTORIC COSTS, AND PROJECTS ANOTHER \$27 MILLION INVESTMENT TO PRODUCE THE FIELD.

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3. IN A PRESS RELEASE ISSUED SIMULTANEOUSLY IN HOUSTON AND

MANILA FEBRUARY 21 (TO SATISFY US SEC RULES), THE FOLLOWING DETAILS WERE GIVEN; THE SOUTH NIDO DISCOVERY HAS A FLOW RATE OF 7,300 BARRELS/DAY AND THE NEW WELL WEST NIDO 9,540 BARRELS/DAY FOR A TOTAL PROJECTED PRODUCTION OF 16,840 BARRELS/DAY. (THIS REPRESENTS APPROXIMATELY 8 PERCENT OF PHILIPPINE CRUDE OIL IMPORTS IN 1977). CITIES NOTED THAT ADDITIONAL EVALUATION IS BEING CONDUCTED PREPARATORY TO FULL DEVELOPMENT, AND ENGINEERING FEASIBILITY AND DESIGN WORK FOR PRODUCTION ARE IN PROGRESS.

4. BARTHOLOMEW TOLD EMBOFF CITIES WILL START AN AMBITIOUS \$1.25 MILLION SEISMIC PROGRAM NEXT WEEK TO FURTHER DEFINE THE NIDO COMPLEX, AND HOPEFULLY FIND OTHER PROSPECTS OUTSIDE THE NIDO COMPLEX, BUT WITHIN THE SERVICE CONTACT AREA. CITIES WILL DRILL ADDITIONAL PRODUCTION WELLS ON THE NIDO COMPLEX. THESE ARE NOT EXPECTED TO PRODUCE NEAR THE VOLUMES OF THE FIRST TWO DISCOVERY WELLS, HOWEVER. HE SAID THERE IS STILL A LOT OF RISK IN THIS PROPOSED INVESTMENT AND ONLY A U.S. OIL COMPANY WOULD UNDERTAKE IT AT THE INTERNAL RATE OF RETURN EXPECTED BY CITIES.

5. PRESIDENT MARCOS PUT THE ANNOUNCEMENT IN PERSPECTIVE WHEN, IN RESPONDING TO CONGRATULATIONS BY THAI PRIME MINISTER KRIANGSAK AT TELEVISED STATE DINNER FEBRUARY 21, HE SAID, (PARAPHRASED), " THE FIGURES IN THE ANNOUNCEMENT ARE CORRECT. THIS IS A DISCOVERY OF MODEST CONFIDENTIAL

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DIMENSIONS. IT WILL BE A SMALL HELP TO THE PHILIPPINES, BUT WE STILL HAVE A LONG WAY TO GO." THIS IS A RATHER CAUTIOUS ASSESSMENT COMPARED TO THEATRICALS SURROUNDING THE FIRST PRESIDENTIAL ANNOUNCEMENT OF AN OIL DISCOVERY ON NIDO IN MARCH 1976, AND CONSIDERING THE UPCOMING APRIL 7 ELECTIONS. STULL

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